RB
RESTAURANT BUSINESS

SPECIAL REPORT

THE GREENING OF FOODSERVICE

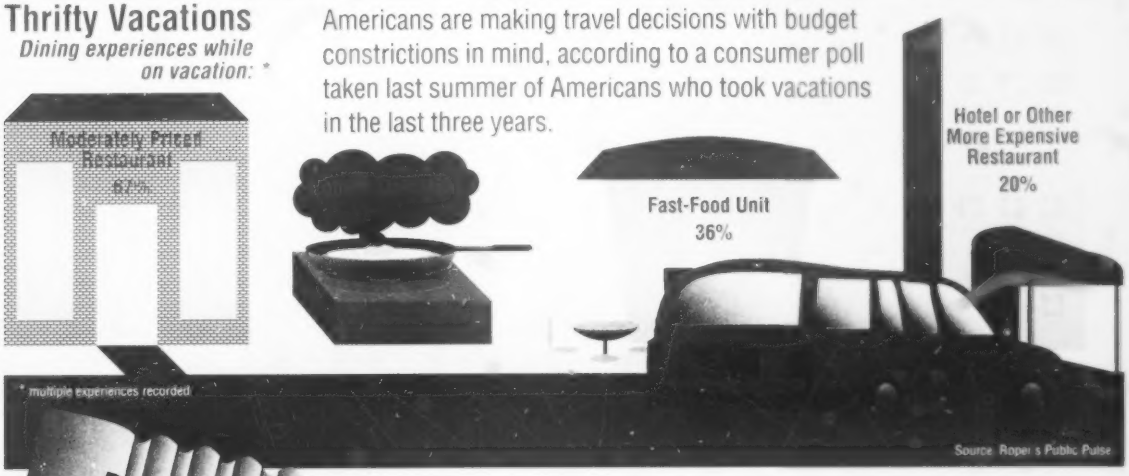
APRIL 10, 1991
A BILL PUBLICATION

BUSINESS BAROMETER

Thrifty Vacations

Dining experiences while on vacation: *

Americans are making travel decisions with budget constrictions in mind, according to a consumer poll taken last summer of Americans who took vacations in the last three years.



* multiple experiences recorded

Source: Roper's Public Pulse

Bottled Water: Surging

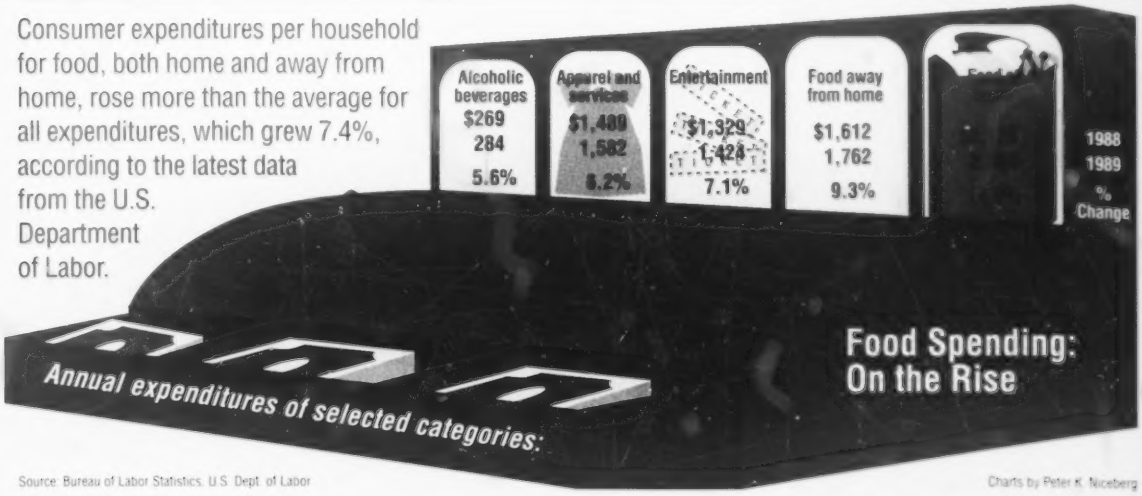
		1988	1990	% Change
% Restaurant Operators Serving Bottled Water:	Yes	35.2	41.6	+18
	No	64.8	58.4	–10

Restaurant operators polled by *RB* indicate they are serving more bottled water than they were two years before. Fullservice and independent operations in the West and Northeast served more bottled water than those in other segments and regions of the country.

Source: *RB* Cold Beverage Survey, 1990

Food Spending: On the Rise

Consumer expenditures per household for food, both home and away from home, rose more than the average for all expenditures, which grew 7.4%, according to the latest data from the U.S. Department of Labor.



Source: Bureau of Labor Statistics, U.S. Dept. of Labor

Charts by Peter K. Niceberg

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Cover illustration by Marvin Mattelson.

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COVER STORY FOOD IN AMERICA. This article will deliver a "state of the breadbasket" address, together with a photo essay of food in America today. The report will emphasize issues that will affect customers' restaurant decision-making.

MARKET SEGMENT REPORT ICE CREAM/YOGURT. The segment is in a heavy period of transition, as overextended national chains and smaller regionals begin to feel the pinch of market saturation. Companies with their sights set on survival are adding new light and low-calorie frozen dessert products.

SPECIAL FEATURE SILVER PLATE AWARDS. Profiles of this year's recipients. The prestigious roster includes: Joseph Pierce, Pierce's 1894 Restaurant; Robert Wood, Bob Evans Farms Inc; Herman Cain, Godfather's Pizza Inc; Dolores Jean Strenko, Southwest General Hospital; Marjorie Craft, Dallas Ind. School District; Matthew Sheriff, University of Maryland; Steven Leipsner, Service America Corp.; Doris Melzarek, 3M Company; and Alfons Konrad, Four Seasons Hotels & Resorts.

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The Most Important Factor

Could McDonald's Ray Kroc make it in the restaurant business if he started out today? Probably, but the Q.S.C. motto he made famous might have to be rethought.

Kroc made Quality, Service, and Cleanliness the marching orders not only for the McDonald's system, but for all who were smart enough to emulate it. Yet, based on proprietary *RB* research, today's customer is more likely to rank cleanliness on a par with quality, and tomorrow's guest will probably list it as the most important restaurant attribute of all.

According to an extensive survey recently completed by *RB*, the level of a restaurant's cleanliness and the quality of the food were considered "very important" or "somewhat important" by an identical 98.7% of respondents.

Interestingly, however, from 1989 to 1990, the percentage of respondents naming food quality as very important declined by three points, from 95% to 92%, while concern for cleanliness rose four points from 88% to 92%. With the exception of friendly service at 87.6%, all other criteria lagged significantly behind.

THE COST. It's all very nice to say that good sanitation practices are important in a restaurant, but how much will it cost? Our research found that monthly expenditures for the average restaurant included $186 for machine dishwashing detergents and $166 for all other cleaning supplies. Here are some other interesting figures from the research that might help you plan and execute an effective sanitation program:

- The percentage of operators who use outside janitorial services rose from 22% in 1989 to 32% in 1990. Eighty percent of those who use these services assign them specific tasks rather than general cleaning. Chain regional offices or headquarters are more likely to use such services than independents, probably because they can leverage multiple units in negotiating contracts.
- 33% of operators now own a washing machine for laundering their own linens, as opposed to 24% in 1989. Of those who own their own machines, 60% use a home rather than a commercial model.

Even in chains, the unit manager is the most likely person to specify and purchase cleaning supplies. In 91% of all restaurants, the same person who buys the food also buys cleaning supplies.

- Operators are most likely to turn to full-line distributors for warewashing supplies, hand soap, floor detergents, window-washing liquids, and restroom cleaning products. Many buy directly from manufacturers, janitorial supply companies, and paper distributors.
- 30% work with one manufacturer to develop an overall cleaning program. In establishing such a relationship, operators look for service, simplicity of program, free sample product, discounts and rebates, and training programs, demonstrations, and wall charts.
- Portion-control systems for warewashing and floor washing were considered very important.
- Liquids were the product form of choice for nearly every cleaning challenge, including ovens, fryers, griddles, range hoods, drains, counter tops, and restrooms.
- For handwashing in kitchens and restrooms, bulk soap dispensers are preferred, followed by cartridge dispensers and bar soap. Paper towels are the hand-drying method of choice in kitchens and restrooms at 82% and 71%, respectively. Blowers are found in 17% of restrooms.
- Cloth towels are used for kitchen cleaning by 77% of operators, but disposable towels, up from 34% to 42%, are becoming more popular.
- 83% of operators sanitize their kitchens after general cleaning, while 65% sanitize restrooms. 55% clean restrooms more than once a day, 37% only once. Chains get a much better report card than independents.
- 89% of restaurants have pest control programs; of these, 36% use it more frequently than routine, once-a-month maintenance.
- The top five problem cleaning areas named were kitchen floors, windows and mirrors, range hoods, dining area floors, and restrooms.

Attention to cleanliness and sanitation can make a big difference in customer satisfaction.–**Scott Allmendinger**

Customers rank cleanliness at the top of their priorities.

WHAT GUESTS WANT
The following restaurant attributes were considered "very important."

FOOD QUALITY	92%
CLEANLINESS	92%
FRIENDLY SERVICE	88%
ATMOSPHERE	66%
CONVENIENT PARKING	44%
FAST SERVICE	43%
CONVENIENT LOCATION	38%
EXPECTED COST OF MEAL	32%
MENU VARIETY	30%
NUTRITIOUS FOOD	27%
NONSMOKING SECTION	22%
SPECIAL DISCOUNTS	11%

Source: *RB* Research

All of the information for this article was obtained from RB *Research Monitor on Sanitation, 1991. For more information, contact* RB *Research at 212-984-2308.*

MEXICAN

Segment chains continue their eastward drive.

By Carol Casper

The Mexican restaurant segment continues to grow, both in geographic penetration and breadth of concept. There are also signs, at least in its home territory, that the market segment is growing up. The proportion of Mexican units in Southwestern states compared to those in other parts of the country shrank last year. This was not just because the numbers in other states grew, but also due to a decrease in Southwestern units, according to RE-COUNT data from the Restaurant Consulting Group, Evanston, IL.

Mexican chains are continuing their eastward drive not only in response to the lure of untapped markets, but also because traditional strongholds are becoming saturated. Dallas-based Southwest Cafes Inc., for example, has launched a campaign to woo new franchisees in the Midwest and other parts of the country far outside the chain's former confines.

"Traditionally we've stayed closer to home, in states like Texas, Oklahoma, and Arkansas where people eat Mexican food as frequently as they eat hamburgers," Wes Jablonski, director of franchising, comments. "But the problem is that although there is a lot of demand here, there are also more Mexican restaurants."

CONSOLIDATION. In a similar vein, Philip Ratner, president and CEO of Acapulco Restaurants Inc., says he expects most of the midscale chain's growth in the next few years to come at the expense of other operations.

The recession's effects can also be seen in statistics on new Mexican openings last year. The number of Mexican units in the U.S. grew by fewer than 300 from 1989 to 1990, according to RE-COUNT, compared to an increase of 1,250 the previous year.

Development should pick up again, however, as most operators outside the Southwest still express optimism about expansion opportunities. They cite a growing acceptance and awareness of Mexican food as an option among consumers nationwide. One sign is the increasing appearance of Mexican items on non-Mexican restaurants' menus. While some complain of the added competition, many operators feel this infiltration into other segments is more help than hindrance.

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Taco John's is emphasizing combination platters of burritos, tacos, and enchiladas with sides of rice and beans.

MARKET SEGMENT REPORT

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"It may [illegible]e Mexican choices for people, but [illegible] demonstrates the overall awaren[illegible] and acceptance of Mexican food," says Jan Moore, vice president of marketing for Amigos, a regional chain based in Lincoln, NE.

Fast food remains the strongest growth sector. Much of this expansion has been powered directly or indirectly by giant Taco Bell, which commands better than 60% of the Mexican fast-food market. Despite the chain's competitive edge, other Mexican fast-food operations still seem to be reaping benefits from the heightened visibility Taco Bell has gained for Mexican food.

ROSY PICTURE. Traffic counts paint a rosy picture. From the end of 1989 through November 1990, traffic in Mexican fast-food units increased 13%, according to CREST, a service of NPD Group, Park Ridge, IL. Over the past three years, traffic for the segment has risen more than 40%.

At the other end of the price spectrum, moderate-check/upscale Mexican restaurants experienced a 9% gain in traffic last year, [illegible]mpound growth of nearly 25% over [illegible] last three years.

Things have not gone so well for midscale Mexican restaurants, however. Traffic in this sector fell 1% last year. Although the numbers were up 7% in 1989, that increase represented just a partial rebound from a 12% drop the year before. One reason for the decline may be that midscale operators have borne the brunt of the competition from other restaurants.

MENU SHIFTS. Mexican menus are also changing. There is a marked shift away from traditional or "Mex-Mex" food, as one operator dubbed it, to more Southwestern-styled concepts. The new menus include already familiar "Tex-Mex" items like the omnipresent fajita, as well as new selections.

This shift appears to be powering much of the growth in the upper-priced Mexican category. Although mostly seen among independents, which make up the largest segment of upscale operations, it is also affecting chains. El Torito, for example, is developing the El Torito Grill, which president Mike Casey describes as "more Southwest, Santa Fe, less Tex-Mex."

This shift in orientation is even rubbing off on lower-priced restaurants. The Taco Maker, a fast-food chain based in Ogden, UT, has developed a new pilot unit with an "upgraded Southwestern theme."

Mexican-flavored operations are also broadening their concepts in other directions, incorporating elements of California cuisine, even forming Mexican-Cajun hybrids. These developments also mean a shift in cooking styles toward more grilled items and other lighter preparation styles.

PRICE/VALUE. The other '90s imperative that virtually all Mexican restaurants are responding to is an emphasis on price/value. Upscale and midscale houses are feeling the pull even though Mexican restaurants are generally well positioned in this regard. In fast food, value menus are the name of the game.

PepsiCo's Taco Bell, Irvine, CA, launched the trend two years ago. The reverberations have since been felt not just in the Mexican segment, but throughout the fast-food world.

In last year's fourth quarter, the chain extended its value initiative from one low price point to three tiers of menus priced under a dollar. In addition to its 59¢ taco, it now features over a dozen other value-priced items at 59¢, 79¢, and 99¢ levels.

The strategy appears to be panning out, as sales for the 3,210-unit chain grew to $2.5 billion in 1990, from $2 billion in '89, on just a 5% increase in the number of units.

In 1991, Taco Bell will step up expansion, with more than 200 new stores scheduled, primarily in the East. The new units will maintain its ratio of 60% company-owned to 40% franchised.

Another major focus is operational improvements, which have helped Taco Bell pursue its value strategy and still stay profitable. "If you look at Taco Bell today versus 10 years ago, there is a

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Spectrum [illegible]mas restaurant in Tiburon, CA, affords customers a view of the San Fra[illegible]uy as they enjoy authentic Mexican cuisine.

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real difference in size and structure," says Jeff Lightburn, director of communications. In the early '80s, 70% was taken up by kitchen space. Today, that has shrunk to 30%. The company will continue to roll out this system, called the K-Minus program.

Another program it is gradually implementing chainwide is TACO—Total Automation of Company Operations. It involves the installation of systems to automate tasks and lessen administrative burdens.

Running a distant second to Taco Bell in the Mexican fast-food segment is Taco John's International, Cheyenne, WY, which goes head-to-head with its giant competitor in about 70% of its markets. Taco John's is avoiding direct price war by putting its va emphasis on new combination platters.

Close to half of the chain's 444 units are now serving the combos and the rest are scheduled to join in by midyear. Prices range from $2.99 to $4.99, according to Bob Anderson, vice president, marketing.

Taco John's is stepping up a remodeling program begun last year as well. The new prototype is larger, with more inside seating than previous units.

Its pace of new openings slowed in '90, but the chain plans to add about 30 units in '91, mainly franchised. Roughly 98% of current sites are franchised, primarily by individual owner/operators.

Another chain seek g to avoid the value menu price war by promoting platters is Taco Tico, which operates 76 company-owned and 32 franchised stores.

MULTIPRONGED. Taco Tico is in the process of acquiring Atlanta-based Del Taco and its subsidiary Taco Villa from W.R. Grace Co., which owns 82% of their stock. The other 18% is publicly traded. Grace is awaiting permission from the SEC to take the chain private so the deal can be completed. Once that happens, management will concentrate on digesting the new operations, which include 97 company-owned Del Tacos and Taco Villas, and 50 franchised units.

Traditional menus have given way to more grilled foods.

"There are no plans for converting any stores. The beauty of the deal is that we'll be able to operate all three concepts without any significant increase in corporate G&A," comments Buddy Utley, vice president and chief financial officer. The acquisition will also make for a neat geographic spread, with Taco Tico operating in the Midwest, Taco Villa in the Southwest, and Del Taco in the Southeast.

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Taco Time's Nachos Deluxe platter features freshly made taco chips.

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Mexican items are now found on nonsegment restaurant menus.

While Del Taco has been promoting a 99¢ "Bigger Better Bite," the game plan for all three operations will shift to a stress on complete dinners to sidestep the value menu price war.

No relation to the Southeast's Del Taco, the larger Del Taco Inc., Costa Mesa, CA, has undergone its own series of ownership changes since 1988. The company includes both the Del Taco and Naugles chains, which merged in 1988 when they were purchased by American Restaurant Group. Less than two years later, president Wayne Armstrong and three partners took over ownership in a leveraged buy-out. Armstrong has since exited, leaving the business to partners Kevin Moriarty, president; Harold Fox, vice president, finance; and Paul Hitzelberger, vice president, marketing.

They closed several Naugles and added five new Del Tacos in the last year. The 317 Del Tacos, including 82 franchised units, are located primarily in California, while 44 remaining Naugles are spread among several states. There are no plans to convert Naugles, but expansion will be confined to the Del Taco concept, says Hitzelberger.

In the competitive arena, Del Taco is challenging Taco Bell's value menu. Early last year it debuted its own 49¢ menu featuring seven items. That was followed in October by three additional menus under $1, giving the chain a larger selection of value items than Taco Bell. The chain also introduced six- and 10-packs of tacos, burros, and burgers for take-out.

Another chain implementing an affordable menu is The Taco Maker.

"We're launching our value menu in several phases," notes Don Stuver, vice president of new store development. "We'll probably end up with two price points: 59¢ and 79¢." In test markets, the value approach has increased store sales 15% to 20%, he adds.

The Taco Maker operates 97 units, all but five of them franchised, including 94 in the U.S. and Puerto Rico, and three in Canada and Saudi Arabia. For the last two years the company has held down growth, Stuver says, opening just five stores in 1990. "We're planning some additions in the second half of '91, but with the economy, our main focus has been on improving existing units."

The chain has also been working on new designs. They include a 600-sq.-ft. double drive-thru, which can be adapted to add inside dining at a later date, and the 2,100-sq.-ft. freestanding pilot featuring Southwestern decor.

ANOTHER LEVEL. Amigos is a small but growing Midwestern chain. While customers place their orders at a counter, meals are served on china, with silverware. Freestanding units also offer drive-thru. The firm currently operates 47 units, including 18 mall locations in Nebraska, Kansas, Missouri, Iowa, and Colorado. It expects to add 10 to 15 new stores this year. Annual sales average $300,000 in malls, $650,000 at freestanders. Chainwide sales last year were $22 million.

Amigos has also followed the value trend, offering Super Deal items: 49¢ tacos, soft burritos, and beef tostadas; 59¢ crisp pinto burritos, soft tacos and chili; 79¢ crisp meat burritos and tacoritos; and 99¢ soft tacos and fajitas.

It debuted two new items, potato-skin nachos and chicken fajita nachos.

Far-flung Taco Time International, based in Eugene, OR, concentrated its expansion efforts last year outside the U.S., but plans to step up domestic growth in 1991. There are now 304 Taco Time restaurants, including 18 company and 191 franchised units in 20 states, plus 81 franchised sites in Canada, Japan, and one in the United Arab Emirates. This year, according to mar-

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THE TOP MEXICAN CHAINS

COMPANY	1990 SYSTEMWIDE SALES	NO. UNITS
Taco Bell (PepsiCo)	$2.5 billion	3,210
Chi-Chi's (Foodmaker Inc.)	$470 million *	219
El Torito	$395 million	181
Del Taco Inc.	$209 million *	361
Taco John's	$133 million	444
El Chico (Southwest Cafes Inc.)	$118 million	89
TacoTime	$99 million	304

*Technomic estimate

CHARTS BY SHARI FANG

MEXICAN

keting communications manager Patricia Scarci, the chain plans to add 15 U.S. units and two in Canada. Sales are projected to grow to $100 million systemwide.

The company's biggest new product development in 1990 was the Mexi-Meal, a combination platter featuring a choice of popular entrees served with refritos, rice, chips, and a side salad. In tests, sales averaged close to 10% of store volume, with some units as high as 15%, Scarci says. Taco Time is also testing a Nachos Deluxe platter featuring freshly made taco chips.

In the midscale sector, Chi-Chi's, Louisville, KY, has bucked the downtrend with a package of "fun, food, and value." The company does not release sales figures, but other sources estimate chainwide revenues advanced more than 10% last year, to approximately $470 million.

Chi-Chi's "good times" emphasis will continue this year with a series of promotions and "high impact, brighter, more festive" TV ads, says senior vice president, operations, Joe Micatrotto.

Chi-Chi's menu continues to evolve from its original Sonoran flavor, characterized as "Mexican food for American tastes." Five years ago it added the chajita grill line, paving the way for Tex-Mex items with still bolder seasonings than two years ago. Waiting in the wings are new items, including combos with price points as low as $5.99.

The chain is also "going on the offensive" to promote liquor sales, Micatrotto notes. "We don't want people to get drunk, but we encourage them to order a margarita with their meal." As enticement, the company introduced a light margarita with reduced alcohol, calories, and price.

The value emphasis has lowered check averages slightly to $7.75, but traffic increases have helped maintain annual unit volumes at $2.5 million.

Since its acquisition by Foodmaker Inc., San Diego, three years ago, Micatrotto adds, Chi-Chi's has focused on company rather than franchised growth. The firm even bought back locations from several franchisees with an eye toward expanding those areas.

Rio Bravo Cantinas are a casual, fun concept of Innovative Restaurant Concepts.

It now operates 165 company-owned units in the U.S. and plans to add 15 to 20 this year. There are also four in Germany and, until recently, one in Kuwait. In addition, franchisees operate 54 units in the U.S. and Canada.

AGGRESSIVE FRANCHISING. While it presently has just 60 company-owned and 29 franchised restaurants, Dallas-based El Chico launched an aggressive new franchising campaign. For many years, growth efforts have been limited to its Southwest home territory and the Southeast. Now the company is actively soliciting franchisees in other regions, particularly the upper Midwest.

The company adopted a fresh corporate identity, Southwest Cafes Inc., in December to position it for a new segmented approach to growth. "We have four other concepts, each targeting different markets," vice president of marketing Rodney Allen explains. They include Cantina Laredo, with a mesquite grill and a menu and service profile a little more upscale than El Chico, Casa Rosa, an upscale Mexican restaurant, Cuellars Cafe, described as "about two steps above and away from pure Tex-Mex," and Lupitas, similar to El Chico in pricing, but with a different architecture and service style.

While El Chico's development will be pegged on franchising, Cantina Laredo, designed for more sophisticated, urban markets, will become the focus of com-

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pany expansion, Allen says.

Another firm with a segmented approach is Restaurant Enterprises' El Torito group, based in Irvine, CA. Its various restaurant concepts add up to 175 company-owned units, plus five franchised by the Riese Organization in New York City, and one franchised unit in Japan.

In addition to its flagship El Toritos, which account for the bulk of operations, the firm has 25 Casa Gallardo's, a total of 20 Casa Maria's and La Fiesta's, and a handful of restaurants under the names Who Song & Larry's and Tequila Willy's. Capping the upper end of its strategic range are the four El Torito Grills, which feature Southwestern desert ambience and Southwest-inspired food.

Three new openings planned for this year will include another El Torito Grill and an essentially similar Casa Gallardo Grill, Casey notes. In other units, the emphasis is on lighter fare, such as lunch combos priced at $4.95.

MORE VARIETY. The broadening trend in Mexican menus is also evidenced by Acapulco Restaurants Inc., the Long Beach, CA-based subsidiary of New York's Restaurant Associates.

Taco Bell has led the value menu price stampede.

"We're featuring a greater variety of specialty items than in the past, including more sautéed foods and other items cooked to order," says Ratner.

Acapulco now operates 50 units. It acquired nine El Paso Cantina restaurants as part of the deal when the latter's parent, Kyotaru Co., purchased Restaurant Associates last year. Most of these have been or will be converted to Acapulco Mexican Restaurants, including a 10th site that was under construction at the time of the merger.

In Texas, Monterey Tex-Mex has also pointed its menu in a different direction. Formerly known as Monterey House, the chain is owned by ShowBiz Pizza Time, which was spun off as a separate company by Brock Hotel Corp./INTEGRA two years ago.

After taking Monterey House out of bankruptcy, ShowBiz ran into a capital crunch that led to a decision to close about half the units in 1989. Management then began an aggressive remodeling campaign in the remaining 27 units, and installed a new Tex-Mex menu to augment its traditional Mexican items. The stores have posted nearly a 25% increase in volume since the change, says executive vice president Dick Huston.

A midscale operation that is taking a different menu track is Pepe's Mexican Restaurants, Chicago, which operates two company-owned and 61 franchised units in Illinois and Indiana. Pepe's has launched a radio-supported campaign promoting specialties from different Mexican regions throughout the year, according to president Robert Ptak.

CANTINAS ON THE ROAD. Perhaps the most successful Mexican-oriented restaurants these days are the proliferating cantina- or roadhouse-style operations. Typified by casual decor, loud music, and wide-ranging food at reasonable prices, they attract families as well as young singles and couples.

A prime example is Chevy's Mexican Restaurants, San Francisco, which recently opened its 26th unit and expects to have 35 in northern California by the end of 1991.

Vice president of marketing Laura Brezner characterizes Chevy's menu as "border style" combining elements of traditional Mexican and U.S. Southwestern cuisine. Although the decor is ultra-casual, with concrete floors and stacked beer crates, the menu rivals most dinnerhouses.

"We have a tremendous family following," Brezner adds. "El Machino, which makes fresh tortillas, is the centerpiece of each restaurant. It's a relaxed atmosphere where the whole family can dine."

The cantina-style operations may have originated in the West, but their influence has quickly spread. Adding its

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There are currently four Tejas Cafe & Bars.

MARKET SEGMENT REPORT

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own peculiar twist to the concept, for example, is Massachusetts's The Border Cafe, which combines Mexican/Tex-Mex/Southwestern cuisine with Cajun cooking. Its menu recounts the legend of Jose Creole, "the unassuming culinary genius who crossed Mexican and Cajun, Creole, and Soul in a little kitchen near the border in south Louisiana." The supposed results of his experiments are over 75 menu items ranging from mesquite-grilled fajitas, seafood enchiladas, and mesquite-broiled redfish to French Quarter chicken with jambalaya, catfish Mardi Gras, and Louisiana pork chops. The creative cuisine is reasonably priced, with checks averaging $10-$12. The atmosphere is "loud and casual," notes general manager Dan Fay.

Owners Mike Larkin and Garrick Steele opened the first Cafe in Cambridge four years ago, followed by a second in Saugus, MA, last year. A third is being planned.

A similarly fun and casual approach is taken by Rio Bravo Cantinas, the brainchild of Raymond Schoenbaum, owner of Innovative Restaurant Concepts Inc., Marietta, GA. In addition to five Atlanta units, Rio Bravo opened in Nashville last May. Another unit in Tampa, FL, is set to open.

Like Chevy's, Rio Bravo has as its centerpiece a machine that produces soft, warm tortillas. The menu leans more heavily toward traditional Mexican and Tex-Mex favorites, with a few specialties thrown in like Santa Fe chicken with hickory sauce, and Cancun shrimp baked in garlic butter. Checks average $6 at lunch and $9 at dinner.

The six restaurants already open serve a total of 44,000 people per week.

Cantinas, or roadhouse-style concepts, are proliferating.

While the Southwest may be getting saturated, Montgomery Foods Inc., Bryan, TX, is betting there is still some room for new concepts. The family-owned enterprise, which also runs a 20-unit Pizza Hut franchise, has been developing the Tejas Cafe & Bar since 1983. With four units open and a fifth in progress, the company is now embarking on franchising, says co-owner John Lampo. The broad, freshly prepared menu includes items like chicken Tejas in a homemade Burgundy mushroom sauce, and chicken taco salad.

Legal battles have slowed growth for two other Texas-based chains, but as the struggle goes on, both are gearing for further growth.

They are two patio concepts that have been embroiled in a trade-dress misappropriation suit for several years. Taco Cabana International Inc., San Antonio, TX, brought the suit against Two Pesos Inc., and won a $3.8 million judgment in 1988. Two Pesos has since appealed. A ruling is expected this year.

In the meantime, Taco Cabana has grown to 25 company and 11 franchised units, and plans to accelerate growth with six more company stores and 13 new franchised units by year's end. Company sites are limited to Texas and California, while franchises have brought the company to Arizona.

"This year we expect to add franchisees in Florida, Georgia, Missouri, and Illinois," notes Jim Eliasberg, senior vice president, franchising.

The concept is geared to take advantage of fair weather, but can be adapted to colder climates, adds president Richard Cervera. The interior patio-style dining room has fold-back or roll-up doors which can be opened onto an exterior patio on nice days. Most units also feature drive-thru's, which account for 40% of sales.

Two Pesos Mexican Cafes consists of 25 company-owned units plus two franchised sites and two licensed operations. The latter have a semi-full-service format, while the rest of the chain is quick-service, notes director of staff services John Schwartz. In addition to 21 Texas units, the company operates in Phoenix, Minneapolis, and Atlanta.

A DIFFERENT APPROACH. Two other quick-service chains that take a little

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different approach to Mexican food are Los Angeles' Mrs. Garcia's and Portland, OR's Macheesmo Mouse. Both offer menus that accent fresh and healthy preparations, although the latter prefers the term "smart food" to health food. It's tagline, "Fresh. Fit. Fast," sums up its approach, notes CEO William Warren.

Macheesmo Mouse currently has 12 units, located in Portland, Seattle, and San Francisco. Decor, once described as "post-modern cow punk," has been slightly toned down.

Mrs. Garcia's builds its basic menu around chargrilled steak and marinated boneless, skinless chicken breasts, which are chopped straight off the grill and served in warm tortillas. Customers can then add a variety of condiments at a salsa bar. Recently the chain expanded its menu to include more salads and vegetarian items.

Units average 35-50 seats and do about 40% of sales in take-out. Average annual volume runs $500,000 per store.

With 13 locations in and around L.A., including five franchised, the chain is looking to franchise development for most of its future growth.

In the upper echelons of Mexican food, most of the excitement continues to center on Southwest-style concepts, such as Vision Restaurants' Salud! in Corona del Mar, CA, which offers specials cooked in a pibil, or wood-burning oven. The appeal of such cooking has spread far beyond the West, even to chilly Massachusetts, which boasts at least two successful Southwest concepts besides The Border Cafe.

The Cottonwood Cafe, Cambridge, MA, has earned high marks from critics for its upscale approach to native Southwest cuisine. Owner Craig Gillaspie and brother Bruce, executive chef, have fashioned a menu that combines Native American, Mexican, Spanish, and Anglo cooking. The results include creations like Pasta Pollo Rojo, chile-reddened chicken sautéed and tossed with fresh tomato tagliatelli, sun-dried tomatoes and pine nuts in a red chile cream sauce.

El Torito's fajitas combo is a favorite with customers.

Upscale Mexican restaurants offer sophisticated regional cooking.

While its upscale compadres pursue the Southwestern mystique, Spectrum Foods' Guaymas restaurant, in Tiburon, CA, is almost in a class by itself, offering fine dining based on authentic, native Mexican cuisine from different regions. The menu, heavy on fresh fish and grilled meats, shows particularly in its complex sauces the continental influence that most Americans are not aware is also part of Mexico's heritage.

"We're trying to do for Mexican food what was done for Italian food 10 years ago," notes director of marketing Faith Wheeler. "We're taking customers through an education process."

Apparently there is a market willing to learn. Based on Guaymas' success, Spectrum is opening a similar restaurant, Salud! in San Francisco this Spring. **RB**